

## Message Text

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PAGE 01 STATE 131525  
ORIGIN NEA-10

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-07 ISO-00 ERDA-05  
AID-05 CEA-01 CIAE-00 COME-00 EPG-02 DODE-00  
EB-07 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00  
NSC-05 OMB-01 PM-04 OES-07 SP-02 SS-15 STR-04  
TRSE-00 ACDA-07 NSCE-00 SSO-00 USIE-00 INRE-00  
FEA-01 PA-01 PRS-01 /135 R

DRAFTED BY NEA:SSOBER:BDF

APPROVED BY NEA:SSOBER

EB - MR. BOEKER

E - R.COOPER

S/S SESTEINER

-----080159Z 107052 /70

O 080119Z JUN 77

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY CAIRO

AMEMBASSY CARACAS

AMCONSUL DHARAHAN

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY TOKYO

USINT BAGHDAD

AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

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PAGE 02 STATE 131525

LIMITED OFFICIAL USE STATE 131525

E.O. 11652: N/A

TAGS: ENRG, OPEC

SUBJECT: PRESS REPORTS OF IMPENDING SAUDI OIL PRICE  
INCREASE

1. WASHINGTON POST CARRIED PAGE 1 STORY JUNE 7 STATING THAT SAUDI ARABIA WILL RAISE OIL PRICES BY 5 PERCENT NEXT MONTH, ENDING THE TWO-TIER OPEC PRICE SYSTEM THAT HAS BEEN IN EFFECT SINCE DECEMBER. ARTICLE BY POST CORRESPONDENT IN NICOSIA QUOTED MIDDLE EAST ECONOMIC SURVEY AS FORECASTING THE PRICE HIKE DESPITE SUCCESS OF PRINCE FAHD'S RECENT VISIT TO WASHINGTON, AND ATTRIBUTING SAUDI DECISION TO "COLLAPSE" OF NORTH/SOUTH DIALOGUE (CIEC) IN PARIS. MEES WAS ALSO REPORTED TO HAVE SAID THAT SAUDI ARABIA WILL STOP TRYING TO INCREASE ITS OUTPUT OF CRUDE AND WILL REVERT TO FORMER CEILING OF 8.5 MILLION BARRELS/DAY PLUS ADDITIONAL REQUIRED TO SERVICE CONTRACTS ALREADY SIGNED.

2. FOLLOWING GUIDANCE WAS PREPARED FOR USE BY DEPARTMENT PRESS SPOKESMAN JUNE 7 BUT WAS NOT IN FACT USED BECAUSE QUESTION DID NOT COME UP AT DEPARTMENT'S REGULAR PRESS BRIEFING. QUOTE:

Q. CAN YOU CONFIRM THE STORY THAT THE SAUDI ARABIAN GOVERNMENT PLANS TO INCREASE THE OIL PRICES BY 5 PERCENT IN JULY?

A. -- WE HAVE NO INDICATION THAT SAUDI ARABIA HAS DECIDED TO INCREASE ITS OIL PRICES AS REPORTED IN THE PRESS.

-- WE HAVE BEEN ENCOURAGED BY THE RESTRAINT SHOWN BY SAUDI LIMITED OFFICIAL USE

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PAGE 03 STATE 131525

ARABIA IN REGARD TO OIL PRICES AND BELIEVE ITS POLICY IN THIS REGARD HAS MADE AN IMPORTANT CONTRIBUTION TO THE WELL-BEING OF THE INTERNATIONAL ECONOMY.

-- WE CONTINUE TO BELIEVE THAT IT IS MOST IMPORTANT THAT MODERATION PREVAIL GENERALLY WITH REGARD TO WORLD OIL PRICES IN THE INTERESTS OF THE GLOBAL COMMUNITY.

Q. WERE OIL PRICES DISCUSSED DURING PRINCE FAHD'S VISIT?

A. SENIOR U.S. OFFICIALS EXPRESSED APPRECIATION, DURING THE VISIT OF PRINCE FAHD HERE, FOR THE PRICE AND PRODUCTION POLICIES PURSUED BY SAUDI ARABIA AND STRESSED THE IMPORTANCE OF CONTINUED MODERATION.

Q. DO WE HAVE REASON TO BELIEVE THAT THE SAUDI POSITION CHANGED AFTER THE CIEC MEETING?

A. WE WERE NOT AWARE THAT THE SAUDI POSITION REGARDING

PRICES AND PRODUCTION HAS CHANGED SINCE THE CIEC MEETING.  
END QUOTE.

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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22 May 2009  
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